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KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

BUSINESS UPDATE

ENTERING INTO WEIYUAN SECOND WASTEWATER TREATMENT PLANT AND ANCILLARY PIPELINE NETWORK WORKS PPP PROJECT AGREEMENT

The Board is pleased to announce that on 26 March 2018, Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) and Kangda Group entered into the PPP Project Agreement, pursuant to which Kangda Group shall be responsible for the investment, construction, operation and maintenance of the PPP Project and entitled to the Contractual Fees.

This announcement is made by the Company to keep the shareholders and potential investors of the Company informed of the latest business development of the Group.

INTRODUCTION

Reference is made to the announcement of the Company dated 18 December 2017 in relation to the successful bidding of the PPP Project.

The Board is pleased to announce that on 26 March 2018, Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) and Kangda Group entered into the PPP Project Agreement with respect to the PPP Project in Weiyuan County, Neijiang City, Sichuan Province, the PRC.

The PPP Project will be carried out through the public-private-partnership (commonly known as “PPP”) model, which is an emerging cooperation model, supported by national policies, for the public and private sectors to work together under the leadership of the relevant PRC local government. While the PPP model typically involves the use of private sector capital in public sector works, there is no fixed cooperation model, as the extent and nature of the private sector’s involvements are driven by the requirements of the local government concerned.

THE PPP PROJECT AGREEMENT

Date:

26 March 2018

Parties:

- (1) Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局); and
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司).

Principal Terms

Pursuant to the PPP Project Agreement, within a cooperation period of 30 years (including 2 years of construction period and 28 years of operation period), the Project Company shall be responsible for the investment, construction, operation and maintenance of the PPP Project, and shall provide wastewater treatment service according to the treatment process and the water input and output quality standard as set out in the PPP Project Agreement, and ensure the availability of, operate and maintain the pipeline network under the PPP Project; and be entitled to charge Contractual Fees according to the fee standard agreed upon in the PPP Project Agreement. Within 30 days commencing on the expiration or termination of the operation period of the PPP Project, the Project Company shall transfer all the PPP Project to Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) or such other entity designated by the government for nil consideration.

Kangda Group and Weiyuan Investment shall jointly establish the Project Company within 30 days after the effective date of the PPP Project Agreement. Kangda Group and Weiyuan Investment shall respectively hold as to 75% and 25% equity interest of the Project Company. The establishment of the Project Company is solely for the purpose of financing, construction, operation, maintenance and transfer of the PPP Project.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project, with an estimated total investment amount of approximately RMB128.32 million and located in Weiyuan County, Neijiang City, Sichuan Province, the PRC, comprises of two parts, which are the plant area of Weiyuan County Second Wastewater Treatment Plant* (威遠縣第二污水處理廠) and the wastewater pipeline network.

The PPP Project will be carried out by using the project model of BOT.

INFORMATION ABOUT WEIYUAN COUNTY HOUSING AND URBAN-RURAL PLANNING AND CONSTRUCTION BUREAU * (威遠縣住房和城鄉規劃建設局)

Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) is a local government authority in the PRC, which is authorized by the People's Government of Weiyuan County* (威遠縣人民政府) to implement the PPP Project.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) is a third party independent of the Company and its connected person(s) (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

REASONS FOR AND BENEFITS OF ENTERING INTO THE PPP PROJECT AGREEMENT

The Directors believe that entering into the PPP Project Agreement is in line with the strategy of the Company to continue to secure additional BOT and PPP projects in cities nearby where the Group has existing projects, leveraging the Group's familiarity with the region, the participants in the local market and the Company's brand recognition. The PPP Project will further expand the asset base of the Company and consolidate the Company's leading position in the industry.

Accordingly, the Directors consider that the terms of the PPP Project Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interest of the Company and the shareholders of the Company as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the board of Directors
“BOT”	Build — operate — transfer, a project model in which the proprietor grants to a contracted enterprise the rights to undertake the financing, design, construction, operation and maintenance of water or wastewater treatment facilities by concession agreement, and the enterprise can charge a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Kangda Group”	Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司), a limited liability company established in the PRC on 19 July 1996, an indirectly wholly-owned subsidiary of the Company
“Contractual Fees”	the sewage treatment service fee, pipeline network availability fee and pipeline network operation maintenance fee to be paid by Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) to the Project Company pursuant to the PPP Project Agreement
“PPP Project”	the Weiyuan Second Wastewater Treatment Plant and Ancillary Pipeline Network Works PPP Project* (威遠縣第二污水處理廠及配套管網工程PPP項目), which is located in Weiyuan County, Neijiang City, Sichuan Province, the PRC, with a cooperation period of 30 years (including 2 years of construction period and 28 years of operation period)
“PPP Project Agreement”	the public-private partnership project agreement entered into between Kangda Group and Weiyuan County Housing and Urban-rural Planning and Construction Bureau* (威遠縣住房和城鄉規劃建設局) on 26 March 2018 in respect of the PPP Project
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Project Company”	a project company to be established by Kangda Group and Weiyuan Investment within 30 days after the effective date of the PPP Project Agreement, of which Kangda Group and Weiyuan Investment shall respectively hold as to 75% and 25% equity interest

“Weiyuan Investment”

Weiyuan Investment Holding Group Co., Ltd * (威遠投資控股集團有限責任公司), a PRC limited liability company who will make capital contribution to the Project Company on behalf of the government

By order of the Board

Kangda International Environmental Company Limited
ZHAO Juanxian (alias, ZHAO Junxian)
Chairman

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises 9 Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. ZHANG Weizhong, Ms. LIU Zhiwei, Mr. GU Weiping, Mr. WANG Litong and Mr. WANG Tianci as executive Directors; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.

* *For identification purposes only*